

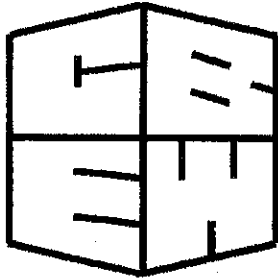
TOWN OF RIPLEY
Ripley, Oklahoma

BASIC FINANCIAL STATEMENTS
June 30, 2022

TOWN OF RIPLEY
Ripley, Oklahoma

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INDEPENDENT AUDITOR'S REPORT

August 30, 2022

Honorable Board of Town Commissioners
Town of Ripley
Ripley, Oklahoma

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ripley, Oklahoma, (Town) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Ripley, Oklahoma, as of June 30, 2022, and the respective changes in modified cash basis financial position and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting as described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Ripley, Oklahoma, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ripley, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Ripley, Oklahoma's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's financial statements. The schedule of expenditures of federal awards – modified cash basis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards – modified cash basis is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis and budgetary comparison information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

CBEW Professional Group, LLP

CBEW Professional Group, LLP
Certified Public Accountants

TOWN OF RIPLEY
STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 133,925	\$ 289,264	\$ 423,189
Investments	-	3,459	3,459
Cash on hand	50	-	50
Due to/from others	1,295	(1,295)	-
Restricted assets:			
Cash, insurance deposit	7,246	-	7,246
Investments	-	24,024	24,024
Capital assets:			
Land	-	32,408	32,408
Construction in progress	-	1,114,344	1,114,344
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	104,242	277,714	381,956
Total assets	<u>\$ 246,758</u>	<u>\$ 1,739,918</u>	<u>\$ 1,986,676</u>
Liabilities:			
Current liabilities:			
Meter deposits	-	37,085	37,085
Notes payable (Note 3)			
Due in one year	-	13,647	13,647
Due in more than one year	-	674,901	674,901
Total liabilities	<u>-</u>	<u>725,633</u>	<u>725,633</u>
Deferred inflows of resources:			
Deferred amounts related to pensions	-	-	-
Total deferred inflows	<u>-</u>	<u>-</u>	<u>-</u>
Net position:			
Net investment in capital assets	104,242	735,918	840,160
Restricted	7,246	24,024	31,270
Unrestricted	135,270	254,343	389,613
Total net position	<u>\$ 246,758</u>	<u>\$ 1,014,285</u>	<u>\$ 1,261,043</u>
Total liabilities and fund equity	<u>246,758</u>	<u>1,739,918</u>	<u>1,986,676</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government:					
City Clerk	\$ 7,159	\$ -	\$ -	\$ -	\$ (7,159)
City Treasurer	2,356	-	-	-	(2,356)
General Government	45,701	-	35,717	-	(9,984)
Total General Government	55,216	-	35,717	-	(19,499)
Public Safety & Judiciary:					
City Attorney	2,255	-	-	-	(2,255)
Fire	11,049	13,695	5,608	-	8,254
Civil Defense	277	-	-	-	(277)
Police	-	-	-	-	-
Total Public Safety & Judiciary	13,581	13,695	5,608	-	5,722
Transportation:					
Street & Alley	8,884	-	-	-	(8,884)
Total Transportation	8,884	-	-	-	(8,884)
Unallocated depreciation*	10,792	-	-	-	(10,792)
Total Governmental Activities	88,473	13,695	41,325	-	(33,453)
Business-Type Activities					
Water	52,373	63,567	-	-	11,194
Gas	127,294	120,828	-	650,219	643,753
Sewer	19,936	46,896	-	-	26,960
Sanitation	40,968	44,719	-	-	3,751
Financing Costs	8,651	-	-	-	(8,651)
Unallocated Depreciation*	16,120	-	-	-	(16,120)
Total Business-Type Activities	265,342	276,010	-	650,219	660,887
Total	\$ 353,815	\$ 289,705	\$ 41,325	\$ 650,219	\$ 627,434

* - This amount does not include the depreciation that is included in the direct expenses of various programs.

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2022

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Net (expense)/revenue	\$ (33,453)	\$ 660,887	\$ 627,434
General revenues:			
Taxes:			
Sales and use taxes	44,487	-	44,487
Franchise taxes	8,820	-	8,820
Intergovernmental	6,008	-	6,008
Interest earnings	565	279	844
Miscellaneous	1,209	3,912	5,121
Transfers	-	-	-
Total general revenues and transfers	61,089	4,191	65,280
Change in net position	27,636	665,078	692,714
Net position - beginning of year	219,122	349,207	568,329
Net position - end of year	\$ 246,758	\$ 1,014,285	\$ 1,261,043

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Special Revenue Street & Alley (Non-major)	Total Governmental Funds
Assets:			
Cash and investments:			
Cash & cash equivalents (Note 3A)	\$ 133,925	\$ -	\$ 133,925
Cash on hand	50	-	50
Due from other funds (Note 3C)	1,295	-	1,295
Restricted assets:			
Cash, insurance deposit	7,246	-	7,246
Total assets	<u>\$ 142,516</u>	<u>\$ -</u>	<u>\$ 142,516</u>
Liabilities:			
Due to Other Funds	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Restricted for:			
Workers compensation	7,246	-	7,246
Assigned to:			
Reserved	-	-	-
Unassigned	135,270	-	135,270
Total fund balances	<u>142,516</u>	<u>-</u>	<u>142,516</u>
Total liabilities and fund balances	<u>\$ 142,516</u>	<u>\$ -</u>	<u>\$ 142,516</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF ASSETS, LIABILITIES AND FUND
BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
MODIFIED CASH BASIS
June 30, 2022

Total Fund Balances - Total Governmental Funds **\$ 142,516**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Buildings	27,567	
Vehicles	182,594	
Infrastructure	1,463	
Personal Property	1,662	
Equipment	160,720	
Accumulated Depreciation	<u>\$ (269,764)</u>	
Total		<u>104,242</u>

Net position of governmental activities **\$ 246,758**

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	<u>General Fund</u>	<u>Special Revenue Street & Alley (Non-major)</u>	<u>Total Governmental Funds</u>
Revenues:			
Sales Tax	\$ 44,487	\$ -	\$ 44,487
Alcoholic Beverage Tax	2,217	-	2,217
Cigarette Tax	337	-	337
Gasoline Excise Tax	-	641	641
Motor Vehicle Tax	-	2,812	2,812
Franchise Tax	8,820	-	8,820
Grants	40,480	-	40,480
Licenses & Permits	-	-	-
Miscellaneous	1,209	-	1,209
Outside Fire Runs	-	-	-
Interest	565	-	565
Donations	845	-	845
Rural Fire Subscriptions	13,695	-	13,695
Total revenues	<u>112,655</u>	<u>3,453</u>	<u>116,108</u>
Expenditures:			
Current:			
General Government	55,216	-	55,216
Highways & Roads	5,430	3,453	8,883
Public Safety	13,581	-	13,581
Capital Outlay	-	-	-
Total expenditures	<u>74,227</u>	<u>3,453</u>	<u>77,680</u>
Excess of revenues over (under) expenditures	38,428	-	38,428
Other financing uses:			
Operating Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures & transfers	38,428	-	38,428
Fund balance - beginning of year	<u>104,088</u>	<u>-</u>	<u>104,088</u>
Fund balance - end of year	<u><u>\$ 142,516</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 142,516</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE GOVERNMENT-WIDE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
MODIFIED CASH BASIS
Year Ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 38,428
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Amounts reported for governmental activities in the Statement of Activities are different because:

Depreciation expense on capital assets is reported in the Government-Wide

Statement of Activities, but they do not require the use of current financial resources.

Therefore, depreciation expense is not reported as expenditures in Governmental Funds.

	<u>(10,792)</u>
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Change in Net Position of Governmental Activities	\$ 27,636
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	<u><u>27,636</u></u>
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The accompanying notes are an integral part of the basic financial statements.

**TOWN OF RIPLEY
STATEMENT OF FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
June 30, 2022**

Business-type Activities - Enterprise Funds

	Public Works Authority (Major)
Assets:	
Cash and Investments:	
Cash & Cash Equivalents	\$ 289,264
Investments	3,459
Due from Others	-
Restricted assets:	
Investments	24,024
Capital assets:	
Land	32,408
Construction in Progress	1,114,344
Depreciable buildings, property, equipment and infrastructure, net of depreciation (Notes 1 & 3)	277,714
Total assets	\$ 1,741,213
Liabilities:	
Current Liabilities	
Due to Other Funds	\$ 1,295
Meter deposits	37,085
Notes Payable	13,647
Non-Current Liabilities	
Notes Payable	674,901
Total liabilities	726,928
Net position:	
Net investment in capital assets	735,918
Restricted	24,024
Unrestricted	254,343
Total net position	\$ 1,014,285

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended June 30, 2022

Business-type Activities - Enterprise Funds

	Public Works Authority (Major)
Revenues:	
Gas revenue	\$ 120,828
Water revenue	63,567
Sewer revenue	46,896
Sanitation revenue	44,719
Miscellaneous revenue	3,912
Total revenues	<u>279,922</u>
Operating expense:	
Depreciation	16,120
Water system expense	52,373
Gas system expense	127,294
Sewer system expense	19,936
Sanitation expense	40,968
Total operating expenses	<u>256,691</u>
Income before non-operating revenues, expenses & transfers	<u>23,231</u>
Non-operating revenues (expenses):	
Interest revenue	279
Grant revenue	650,219
Loan issue costs	-
Interest expense	(8,651)
Total non-operating revenues and expenses	<u>641,847</u>
Income (loss) before operating transfers	<u>665,078</u>
Transfers in (out)	<u>-</u>
Change in net position	665,078
Net position at beginning of year	<u>349,207</u>
Net position at end of year	<u><u>\$ 1,014,285</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUNDS
Year Ended June 30, 2022

Business-type Activities - Enterprise Funds

	Public Works Authority (Major)
Cash flows from operating activities:	
Cash received from customers & service users	\$ 279,922
Cash payments for goods & services & employees	(240,571)
Other operating revenues	-
Net cash provided by operating activities	<u>39,351</u>
Cash flows from noncapital financing activities:	
Change in meter deposits	105
Change in due to/from accounts	1,295
Net cash provided (used) for noncapital financing activities	<u>1,400</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,070,559)
Proceeds from new debt	1,267,315
Principal paid on debt	(705,452)
Grant revenues	650,219
Interest paid on debt	(8,651)
Net cash provided (used) for capital and related financing activities	<u>132,872</u>
Cash flows from investing activities:	
(Purchase) liquidation of investments	(38)
Interest on investments	279
Net cash provided by investing activities	<u>241</u>
Net increase (decrease) in cash & cash equivalents	173,864
Cash and cash equivalents - beginning of year	<u>115,400</u>
Cash and cash equivalents - end of year	<u><u>\$ 289,264</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 23,231
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	16,120
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	-
Total adjustments	<u>16,120</u>
Net cash provided by operating activities	<u><u>\$ 39,351</u></u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Ripley, Oklahoma (Town) accounting policies and financial statement presentation conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for modifications that have substantial support in generally accepted accounting principles and are recommended by the Government Financial Officers Association (GFOA) small government annual financial report model. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received by not yet paid, and accrued expenses and liabilities, including pension liabilities) are not recorded in these financial statements.

If the Town utilized the basis of accounting recognized as generally accepted by GASB, the government-wide financial statements would be presented on the accrual basis of accounting, the governmental funds would utilize the modified accrual basis of accounting, and the proprietary funds would utilize the accrual basis of accounting.

The more significant accounting policies established in the modified cash basis of accounting and used by the Town as well as a further description of departures from governmental GAAP are discussed below.

A. Reporting Entity

The Town of Ripley, Oklahoma was organized under the statutes of the State of Oklahoma. The Town operates under a council form of government and is governed by a five-member board of commissioners. The commissioners elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (gas, water, sewer, and refuse), judicial, health and social services, culture, parks and recreation, public improvements, and planning and zoning for the geographical area organized as the Town of Ripley, Oklahoma.

As required by the modified cash basis of accounting, these financial statements present the activities of the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the Town's operations and so data from these units are combined with the data of the primary government.

Blended Component Units:

The Ripley Public Works Authority (PWA) was created pursuant to a Trust Indenture dated April 6, 1979 to provide improvements to the natural gas system and facilities for the benefit of the Town of Ripley, Oklahoma. The public works systems owned by the Town have been leased to the Trust. The PWA is a public trust and an agency of the State of Oklahoma under Title 60, Oklahoma Statutes, and is governed by a board consisting of five trustees identical with the Town Council. The PWA is exempt from state and federal income taxes. The PWA is reported as an enterprise fund.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of revenues, expenses and changes in net position, and fund financial statements, which provide a more detailed level of financial information. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Town has elected to present their basic financial statements on a modified cash basis rather than on a GAAP basis.

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Town that are governmental and those that are considered business-type activities.

The statement of net position presents the governmental and business-type activities at year-end on a modified cash basis. The statement of revenues, expenses and changes in net position presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities and for the business-type activities of the Town. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on program revenues are presented as general revenues of the town, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Fund Accounting – The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds – are used to account for the government's general government activities. The Town presents its governmental activities on the modified cash basis of accounting rather than generally accepted accounting principles (GAAP). GAAP requires that governmental fund types would use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under that basis of accounting, revenues would be recognized when susceptible to accrual (i.e., when they become measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. GAAP provides that all revenues are available if they are collected within 60 days after year-end. For GAAP, expenditures would be recorded when the fund liability is incurred with certain exceptions (general long-term debt and certain compensated absences, claims and judgments). The Town records governmental fund expenditures as they are paid rather than when the obligation is incurred and revenues when received.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting (Continued)

Sales and use taxes, cigarette taxes, gasoline excise taxes and motor vehicle taxes collected and held by the state and county at year-end on behalf of the Town are susceptible to accrual under GAAP but are not recognized as revenue until received under the modified cash basis. Other receipts and taxes (franchise taxes, licenses, etc.) are recognized as revenue when received by the government.

Entitlements and shared revenues are recorded at the time of receipt. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The following is the Town's major governmental fund:

General fund – is the main operating fund of the Town. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Other governmental fund of the Town that is considered a non-major fund includes:

Special Revenue funds – account for revenue sources that are designated to expenditures for specific purposes (not including expendable trusts or major capital projects). The Street and Alley Fund is the Town's only Special Revenue Fund. Management has elected to present this fund as a major in the financial statements.

Proprietary funds - Proprietary funds are classified as enterprise funds. For GAAP purposes these funds are generally accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In the Town's modified cash basis financial statements revenues are recorded when received and expenditures are recorded when paid. Proprietary funds are classified as enterprise.

Enterprise Funds – are used to account for those operations that are financed and operated in a manner similar to private business where the intent of the governing body is for the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for capital maintenance, public policy or management accountability. The following is the Town's major Enterprise fund:

Ripley Public Works Authority – accounts for the operations of providing public works (water, sewer, gas distribution systems and refuse) to the Town.

There are no other enterprise funds of the Town to be considered non-major funds.

Fiduciary funds – account for assets held by the government in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement. Agency funds are custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The Town does not have a fiduciary fund.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity

1. Deposits and Investments

Oklahoma Statutes authorize the Town to invest in certificates of deposit, repurchase agreements, passbooks, bankers' acceptances, and other available bank investments provided that all deposits are fully covered by approved securities pledged to secure those funds. In addition, the Town can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

For financial statement presentation and for purposes of the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits and certificates of deposit with a maturity date of three months or less. Debt instruments with a maturity date of more than three months are considered to be investments. Investments are stated at cost.

2. Restricted Cash and Investments

The restricted cash and investments are the result of financial requirements of a promissory note between the Ripley Public Works Authority and the United States Department of Agriculture, Rural Development and consist of funds held in a Debt Service Fund (one monthly payment) and a Reserve Fund-Sewer (10% of the monthly installment until the annual installment amount is reached). Under the terms and provisions of the promissory note, these funds are maintained for the benefit of the holder of the note. These funds are to be maintained so long as the note is outstanding. Both of these amounts of \$1,848 and \$22,176 are being held in CD's and shown as restricted on the financial statements. Distributions are restricted to paying costs of repairing or replacing any damage to the facility which may be caused by an unforeseen catastrophe, or for making extension, with prior approval from the government.

3. Fair Value of Financial Instruments

The Town's financial instruments include cash and cash equivalents, investments, accounts receivable and accounts payable. The Town's estimates of the fair value of all financial instruments do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements; however, accounts receivable and accounts payable are not reflected in the financial statements because of the use of the modified cash basis of accounting.

4. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from other/due to other funds".

6. Inventories

Inventories in both governmental funds and proprietary funds normally consist of minimal amounts of expendable supplies held for consumption. The costs of governmental fund type and proprietary fund type inventories are recorded as expenditures when purchased rather than when consumed.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

7. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Town maintains a capitalization threshold of \$500. The Town's infrastructure consists of roads, bridges, culverts, curbs and gutter, streets and sidewalks, drainage system, lighting systems and similar assets that are immovable and of value only to the Town. Such infrastructure assets acquired after July 1, 2003 are capitalized in accordance with the requirements of GASB 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value of the asset or materially extend an asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Building Improvements	40 - 100 years	40 - 100 years
Equipment	5 - 100 years	5 - 100 years
Water System	10 - 40 years	10 - 40 years
Gas System	10 - 40 years	10 - 40 years
Sewer System	10 - 40 years	10 - 40 years

The Town has not maintained complete capital asset records to support the historical cost of past capital asset purchases.

8. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation time. Full-time regular employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Town. As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Long-term Obligations

The accounting and reporting treatment applied to long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Therefore, long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

10. Net Position/Fund Balances

In the government-wide financial statement, net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when limitations on its use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws or other governments, or are imposed by law through constitutional provisions or enabling legislation.

In the fund financial statements, governmental funds report the hierarchy of fund balances. The hierarchy is based primarily on the degree of spending constraints placed upon use of resources for specific purposes versus availability of appropriation. An important distinction that is made in reporting fund balance is between amounts that are considered *non-spendable* (i.e., fund balance associated with assets that are *not in spendable form*, such as inventories or prepaid items, long-term portions of loans and notes receivable, or items that are legally required to be maintained intact (such as the corpus of a permanent fund)) and those that are *spendable* (such as fund balance associated with cash, investments or receivables).

Amounts in the *spendable* fund balance category are further classified as *restricted*, *committed*, *assigned* or *unassigned*, as appropriate.

Restricted fund balance represents amounts that are constrained either externally by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments; or by law, through constitutional provisions or enabling legislation.

Committed fund balance represents amount that are useable only for specific purposes by formal action of the government's highest level of decision-making authority. Such amounts are not subject to legal enforceability (like restricted amounts), but cannot be used for any other purpose unless the government removes or changes the limitation by taking action similar to that which imposed the commitment. The Town Ordinance is the highest level of decision-making authority of the Town.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

10. Net Position/Fund Balances (Continued)

Assigned fund balance represents amounts that are *intended* to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the governing body itself, or a subordinated high-level body or official who the governing body has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balances includes all remaining spendable amounts (except negative balances) that are reported in governmental funds *other than the general fund*, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for specific purpose in accordance with the provisions of the standard.

Unassigned fund balance is the residual classification for the general fund. It represents the amounts that have not been assigned to other funds, and that have not been restricted, committed, or assigned to specific purposes within the general fund.

11. Resource Use Policy

It is in the Town's policy for all funds that when an expenditure/expense is incurred for purposes for which both restricted and unrestricted resources, including fund balances, are available, the Town considers restricted amounts to be spent first before any unrestricted amounts are used. Furthermore, it is the Town's policy that when an expenditure/expense is incurred for purposes for which committed, assigned, or unassigned resources, including fund balances, are available, the Town considers committed amounts to be spent first, followed by assigned amounts and lastly unassigned amounts.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Grants and Awards

The Town was the recipient of the following grants during the year.

1. The Oklahoma Department of Agriculture, Food and Forestry Services distributed \$4,763 to the Town during the year. The funding is in support of rural fire defense.
2. The United States Department of Agriculture distributed \$226,990 to the Town during the year. The funding is in support of the sewer lagoon project.
3. The Oklahoma Department of Commerce distributed CDBG monies in the amount of \$423,229 to the Town during the year. The funding is in support of the sewer lagoon project.
4. The United States Department of Health and Human Services distributed ARPA monies in the amount of \$35,717 to the Town during the year. None of these monies were spend currently.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

3. DETAILED NOTES CONCERNING THE FUNDS

A. Deposits and Investments

Custodial Credit Risk

At June 30, 2022, the Town held deposits of approximately \$450,672 at financial institutions. The Town's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. Government insured or collateralized with securities held by the Town or by its agent in the Town's name.

Investment Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The Town has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

The investments held at June 30, 2022 are as follows:

Type	Maturity (Months)	Credit Rating	Market Value	Cost
Investments				
Certificate of Deposit	12.00	N/A	27,483	27,483
Total Investments			<u>\$ 27,483</u>	<u>\$ 27,483</u>
Reconciliation to Statement of Net Position				
Business-Type Activities			<u>\$ 27,483</u>	
			<u>\$ 27,483</u>	

Concentration of Investment Credit Risk

The Town places no limit on the amount it may invest in any one issuer. The Town has the following credit risk: 100% in Certificates of Deposit.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

3. DETAILED NOTES CONCERNING THE FUNDS (Continued)

C. Capital Assets

The Business-Type capital asset activity for the year ended is as follows:

	Balance 6/30/2021	Additions	Disposals	Balance 6/30/2022
Governmental Activities:				
Building Improvements	\$ 27,567	-		27,567
Vehicles - Fire Equipment	262,966	-		262,966
Infrastructure	1,463	-	-	1,463
Equipment	82,010	-		82,010
Total Depreciable Assets	<u>374,006</u>	<u>-</u>	<u>-</u>	<u>374,006</u>
Less accumulated depreciation				
Building Improvements	(12,575)	(794)	-	(13,369)
Vehicles - Fire Equipment	(146,439)	(6,013)	-	(152,452)
Infrastructure	(876)	(146)		(1,022)
Equipment	(99,082)	(3,839)	-	(102,921)
Total Depreciable Assets	<u>(258,972)</u>	<u>(10,792)</u>	<u>-</u>	<u>(269,764)</u>
Net governmental activities capital assets	\$ <u>115,034</u>	<u>(10,792)</u>	<u>-</u>	<u>104,242</u>
Business-Type Activities				
Depreciable assets:				
Water system	\$ 212,647	-	-	212,647
Gas system	190,021	-	-	190,021
Sewer system	365,332	-	-	365,332
Equipment	72,289	32,000	-	104,289
Building improvements	9,680	-	-	9,680
Total depreciable assets	<u>849,969</u>	<u>32,000</u>	<u>-</u>	<u>881,969</u>
Less accumulated depreciation				
Water system	(181,088)	(1,461)	-	(182,549)
Gas system	(166,492)	(4,750)	-	(171,242)
Sewer system	(164,536)	(9,134)	-	(173,670)
Equipment	(72,289)	(533)	-	(72,822)
Building improvements	(3,730)	(242)	-	(3,972)
Total accumulated depreciation	<u>(588,135)</u>	<u>(16,120)</u>	<u>-</u>	<u>(604,255)</u>
Net business-type activities capital assets	\$ <u>261,834</u>	<u>15,880</u>	<u>-</u>	<u>277,714</u>

Depreciation expense was charged to unallocated depreciation and not charged as a direct expense of the various programs.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

3. DETAILED NOTES CONCERNING THE FUNDS (continued)

D. Long-term Debt

The Town is not obligated in any manner for the debt of its component units. The following is a summary of long-term debt transactions of the proprietary fund:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
USDA	\$ -	\$ 697,000	8,452	\$ 688,548
F&M Bank	126,684	570,316	697,000	-
Total	<u>\$ 126,684</u>	<u>\$ 1,267,316</u>	<u>\$ 705,452</u>	<u>\$ 688,548</u>

a. Long-term debt consists of:

A 40-year note dated October 15, 2022, with United State Department of Agriculture, Rural Development, payable in installments of \$1,848 at 1.25% interest per annum due on the 15th of each month.

A note with F&M Bank payable in interest only installments at 2.5% per annum, with all unpaid principal and interest due at maturity. This note was paid off in the current year.

b. The conditions prescribed by the security agreement with Communities Unlimited, Inc. and F&M Bank are as follows:

As security for the notes payable to the United State Department of Agriculture, Rural Development and the F&M Bank, the Town of Ripley and the Ripley Public Works Authority have pledged the plant and equipment of the water and gas systems. Gross revenues of these facilities have been pledged as security for note and interest payments when due.

Annual cash requirements to amortize these notes are as follows:

Year Ending June 30,	Payments Due
2023	\$ 22,176
2024	22,176
2025	22,176
2026	22,176
2027	22,176
2028-2032	110,880
2033-2037	110,880
2038-2042	110,880
2043-2047	110,880
2048-2052	110,880
2053-2057	110,880
2058-2062	95,743
Total	<u>871,903</u>
Less interest	<u>(183,355)</u>
Note balance	<u>\$ 688,548</u>

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

4. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and natural disasters. The Town purchases commercial insurance to cover these and other risks. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

The Town is a member of the Oklahoma Municipal Assurance Group Workers' Compensation Plan (the Plan), an organization formed for the purpose of providing workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities, including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for all claims submitted to it during the plan year.

As a member of the Plan, the Town is required to pay fees set by the Plan according to an established payment schedule. A Loss Fund has been established from the proceeds of these fees for each participant in the Plan. The State Insurance Fund provides coverage in excess of the Loss Fund so the Town's liability for claim loss is limited to the balance of that fund.

In addition to the Loss Fund, the Town maintains two additional funds with the Plan. The Rate Stabilization Reserve (RSR) is a non-refundable fund, which can reduce future premium increases. The Escrow Fund is made up of past refunds left on deposit with the Plan. Escrow funds earn interest and are readily available for use by the governing board. In accordance with GASB No. 10, the Town reports the required contribution to the pool, net of refunds, as insurance expense. The balances for 2022, 2021 and 2020 in the RSR Fund and the Escrow Fund are \$7,246, \$4,878 and \$2,530, respectively, and are reflected on the financial statements.

B. Contingent Liabilities

The governing board of the Town is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

C. Employee Retirement System and Other Benefit Plans

The Town participates in one employee pension system as follows:

Oklahoma Firefighters Pension and Retirement Plan - Cost Sharing Multiple Employer - Defined Benefit Plan

Oklahoma Firefighters Pension & Retirement Plan

Plan Description – The Town of Ripley, as the employer, participates in the Firefighters Pension & Retirement – a cost-sharing multiple-employer defined benefit pension plan administered by the Oklahoma Firefighters Pension & Retirement System (FPRS). Title 11 of the Oklahoma State Statutes grants the authority to establish and amend the benefit terms to the FPRS. FPRS issues a publicly available financial report that can be obtained at www.ok.gov/fprs.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2022

4. OTHER INFORMATION (Continued)

C. Employee Retirement System and Other Benefit Plans (Continued)

Benefits provided – FPRS provides retirement, disability and death benefits to members of the plan.

Benefits for members hired prior to November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 20 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$150.60 per month. Benefits vest with 10 years or more service.

Benefits for members hired after November 1, 2013 are determined as 2.5 percent of the employee's final average compensation times the employee's years of service and have reached the age of 50 or have completed 22 years of service, whichever is later. For volunteer firefighters, the monthly pension benefit for normal retirement is \$165.66 per month. Benefits vest with 11 years or more service.

All firefighters are eligible for immediate disability benefits. For paid firefighters, the disability in-the-line-of-duty benefit for firefighters with less than 20 years of service is equal to 50% of final average monthly compensation, based on the most recent 30 months of service. For firefighters with over 20 years of service, a disability in-the-line-of-duty is calculated based on 2.5% of final average monthly compensation, based on the most recent 30 months, per years of service, with a maximum of 30 years of service. For disabilities not-in-the-line-of-duty, the benefit is limited to only those with less than 20 years of service and is 50% of final average monthly compensation, based on the most recent 60-month salary as opposed to 30 months. For volunteer firefighters, the not-in-the-line-of-duty disability is also limited to only those with less than 20 years of service and is \$7.53 per year of service. For volunteer firefighters, the in-the-line-of-duty pension is \$150.60 with less than 20 years of service, or \$7.53 per year of service, with a maximum of 30 years.

A \$5,000 lump sum death benefit is payable to the qualified spouse or designated recipient upon the participant's death. The \$5,000 death benefit does not apply to members electing the vested benefit.

Contributions – The contributions requirements of the Plan are at an established rate determined by Oklahoma Statute and are not based on actuarial calculations. Employees are required to contribute 9% of their annual pay. Participating cities are required to contribute 14% of the employees' annual pay or \$60 per volunteer. The required contribution from the Town for this plan was \$1,080, \$720 and \$600 for 2022, 2021 and 2020, respectively.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through the date of the audit report, which is the date the financial statements were available to be issued. Management is currently evaluating the impact of the COVID-19 pandemic on the Town and has concluded that while it is reasonably possible that the virus could have a negative effect on the Town's financial position and results of its operations, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

TOWN OF RIPLEY
Ripley, Oklahoma

OTHER SUPPLEMENTARY INFORMATION
June 30, 2022

TOWN OF RIPLEY
Ripley, Oklahoma

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ending June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal Assistance Listing</u>	<u>Program or Award Amount</u>	<u>Revenue Collected</u>	<u>Federal Expend- itures</u>
<u>U.S. Department of Housing and Urban Development:</u>				
<u>Passed Through State of Oklahoma Department of Commerce:</u>				
CDBG 20 - #17862	14.228	<u>450,000</u>	<u>423,229</u>	<u>426,329</u>
<u>U.S. Department of Agriculture:</u>				
<u>Passed through the State of Oklahoma Water Resources Board:</u>				
Water & Waste Disposal Systems for Rural Communities	10.760	<u>931,000</u>	<u>923,990</u>	<u>649,103</u>
<u>U.S. Department of Health and Human Services:</u>				
ARPA Cares Act	21.027	<u>71,417</u>	<u>35,717</u>	<u>-</u>
Total of Expenditures of Federal Awards		\$ <u>1,452,417</u>	\$ <u>1,382,936</u>	\$ <u>1,075,432</u>

Note A - Basis of Presentation - The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town under programs of the federal government for the year ended June 30, 2022. Because the Schedule presents only selected portion of the operations of the Town, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Town.

Note B - Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported using the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF RIPLEY
Ripley, Oklahoma

OTHER INFORMATION
June 30, 2022

TOWN OF RIPLEY
OTHER INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED CASH BASIS) AND ACTUAL GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(Unaudited)

GENERAL FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales Tax	37,500	\$ 37,500	\$ 44,487	\$ 6,987
Alcoholic Beverage Tax	2,500	2,500	2,217	(283)
Cigarette Tax	375	375	337	(38)
Gasoline Excise Tax	-	-	-	-
Motor Vehicle Tax	-	-	-	-
Franchise Tax	9,000	9,000	8,820	(180)
Grants	5,000	40,800	40,480	(320)
Licenses & Permits	25	25	-	(25)
Miscellaneous	1,850	1,850	1,209	(641)
Outside Fire Runs	-	-	-	-
Interest	500	500	565	65
Donations	2,000	2,000	845	(1,155)
Rural Fire Subscriptions	12,000	12,000	13,695	1,695
Total revenues	<u>70,750</u>	<u>106,550</u>	<u>112,655</u>	<u>6,105</u>
Expenditures:				
Personal Services	14,900	14,900	14,623	277
Maintenance & Operations	68,275	68,275	59,604	8,671
Capital Outlay	8,550	44,350	-	44,350
Total expenditures	<u>91,725</u>	<u>127,525</u>	<u>74,227</u>	<u>53,298</u>
Excess of revenue over (under) expenditures	(20,975)	(20,975)	38,428	59,403
Other financing sources (uses):				
Operating transfers in (out)	-	-	-	-
Net changes in fund balance	(20,975)	(20,975)	38,428	59,403
Fund balance at beginning of year	<u>104,088</u>	<u>104,088</u>	<u>104,088</u>	<u>-</u>
Fund balance at end of year	<u>\$ 83,113</u>	<u>\$ 83,113</u>	<u>\$ 142,516</u>	<u>\$ 59,403</u>

The Notes to Required Supplemental Information are an integral part of this statement.

**TOWN OF RIPLEY
OTHER INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (MODIFIED CASH BASIS) AND ACTUAL GOVERNMENTAL FUNDS
Year Ended June 30, 2022
(Unaudited)**

SPECIAL REVENUE FUNDS

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Gasoline Excise Tax	\$ 750	\$ 750	\$ 641	\$ (109)
Commercial Vehicle Tax	3,200	3,200	2,812	(388)
Grants	-	-	-	-
Misc	-	-	-	-
Total revenues	<u>3,950</u>	<u>3,950</u>	<u>3,453</u>	<u>(497)</u>
Expenditures:				
Highways & Roads	<u>3,950</u>	<u>3,950</u>	<u>3,453</u>	<u>497</u>
Total expenditures	<u>3,950</u>	<u>3,950</u>	<u>3,453</u>	<u>497</u>
Excess of revenue over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The Notes to Required Supplemental Information are an integral part of this statement.

TOWN OF RIPLEY
Ripley, Oklahoma

NOTES TO OTHER INFORMATION
Year Ended June 30, 2022
(Unaudited)

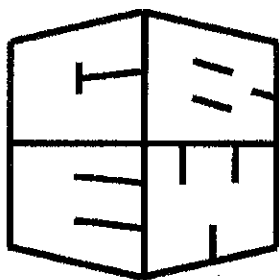
BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with the modified cash basis of accounting. The enterprise funds and internal service fund adopt budgets on the non-GAAP basis wherein service fees, bond and note proceeds are recognized as revenue, principal payments on debt and capital expenditures are recognized as expenses, and depreciation expense is not budgeted. Annual appropriated budgets are not adopted for the agency funds. Budgetary data for enterprise funds, internal service, and permanent funds are not presented in these financial statements.

Prior to July 1, the Town Administrator (not an elected official) submits a proposed operating budget for the fiscal year commencing July 1, to the Commissioners (elected officials). Public hearings are held at regular or special meetings to obtain taxpayer input. Prior to July 1, the budget is legally enacted through passage of a budget resolution. The operating budget, for all budgeted funds, includes proposed expenditures and the means of financing. Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, maintenance and operations, capital outlay, transfers, and debt service. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. A more detailed budget is used for operating purposes. All budget revisions at the legal level are subject to final approval by the Town Council. Within these control levels, management may transfer appropriations without council approval. Revisions to the budget were made during the year in accordance with the provisions of the Oklahoma Statutes. All annual appropriations lapse at year-end.

TOWN OF RIPLEY
Ripley, Oklahoma

REPORTS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*
June 30, 2022



CBEW Professional Group, LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

August 30, 2022

Honorable Town Board
Town of Ripley
Ripley, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ripley, Oklahoma, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Ripley, Oklahoma's basic financial statements, and have issued our report thereon dated August 30, 2022.

Report Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-001 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Findings

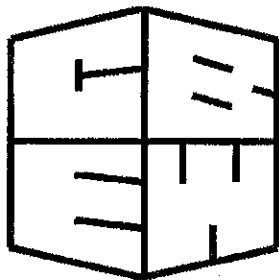
Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

August 30, 2022

Honorable Town Board
Town of Ripley
Ripley, Oklahoma

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Ripley, Oklahoma (the Town)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2022. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Ripley, Oklahoma, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis of Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Ripley, Oklahoma and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Ripley, Oklahoma's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Ripley, Oklahoma's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Ripley, Oklahoma's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Ripley, Oklahoma's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Ripley, Oklahoma's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Ripley, Oklahoma's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Ripley, Oklahoma's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CBEW Professional Group, LLP

CBEW PROFESSIONAL GROUP, LLP
Certified Public Accountants

TOWN OF RIPLEY
Ripley, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of Auditor's Report Issued: Adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma Department of Education.

Internal Control Over Financial Reporting:

Material Weakness(es) identified? ☒ Yes ☐ No

Significant Deficiencies identified not considered to be material weaknesses? ☐ Yes ☒ No

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards:

Type of auditors report issued on compliance for major programs: Unmodified in conformity with the regulatory basis of accounting.

Internal Control Over Major Programs:

Material Weakness(es) identified? ☐ Yes ☒ No

Significant Deficiencies identified not considered to be material weaknesses? ☐ Yes ☒ No

Audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section .510(a)? ☐ Yes ☒ No

Dollar threshold used to distinguish Type A and Type B programs \$750,000

Auditee Qualified as low-risk auditee? ☐ Yes ☒ No

Identification of Major Programs:

CFDA#

10.760 Water & Waste Disposal Systems for Rural Communities

14.228 Community Development Block Grant

FINDINGS - FINANCIAL STATEMENT AUDIT

2022-001. Internal Control – Segregation of Duties

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Condition: Presently the same individual is responsible for issuing purchase orders, writing checks, making deposits, posting transactions and reconciling the monthly bank statements. In addition, the same individual that receives payments is also responsible for billing and adjustment, and posting payments to subsidiary accounts receivable ledger. This finding was also noted in 2021.

**TOWN OF RIPLEY
Ripley, Oklahoma**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2022**

Cause: The Town's limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

Effect or Potential Effect: Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to purchasing and depositing activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: We recommend that management should consider a formal evaluation of their risks associated with these procedures. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with lack of segregation of duties, such as providing increased management oversight and an independent reconciliation of accounts. For example, the entity might consider soliciting the assistance of independent volunteer labor to perform certain functions including performing compensating procedures where applicable.

Responsible Official's Response: The Town concurs with the recommendation, although, the cost to correct this condition might exceed the benefit, the Town will strive to make changes in procedures that will improve the overall lack of segregation of duties.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

TOWN OF RIPLEY
Ripley, Oklahoma

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2022

None.